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BEFORE THE ARIZONA POWER PLANT AND TR
LINE SITING COMMITTEE

IN THE MATTER OF THE APPLICATION OF
ALLEGHENY ENERGY SUPPLY COMPANY, LLC
FOR A CERTIFICATE OF ENVIRONMENTAL
COMPATIBILITY FOR CONSTRUCTION OF A
1,080 MW (NOMINAL) GENERATING FACILITY
IN SECTION 35, TOWNSHIP 3 NORTH, RANGE
11 WEST IN LA PAZ COUNTY, ARIZONA AND
AN ASSOCIATED TRANSMISSION LINE AND
SWITCHYARDS BETWEEN AND IN SECTION 35,
TOWNSHIP 3 NORTH, RANGE 11 WEST AND
SECTIONS 23-26, TOWNSHIP 3 NORTH, RANGE
11 WEST ALSO IN LA PAZ COUNTY, ARIZONA.

DOCKET NO. L-00000AA-01-0116

CASE NO. 116

NOTICE OF FILING
DECISION AND ORDER

The Arizona Power Plant and Transmission Line Siting Committee hereby gives notice of
filing its decision and order, approving the application of Allegheny Energy Supply Company,
L.L.C., for a Certificate of Environmental Compatibility.

The Decision and Order are in the form attached hereto.

Dated this 30 day of January, 2002.

ARIZONA POWER PLANT AND
TRANSMISSION LINE SITING
COMMITTEE

By: Laurie A Woodall
Laurie A. Woodall
Chairman

Pursuant to A.A.C. R14-3-204,
the Original CEC and the original and
twenty-five copies of this Notice were
filed this 30 day of JAN., 2002, with:

Arizona Corporation Commission
Docket Control
1200 West Washington
Phoenix AZ 85007

Arizona Corporation Commission

DOCKETED

JAN 30 2002

DOCKETED BY

msu

AZ CORP COMMISSION
DOCUMENT CONTROL

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RECEIVED

1 COPIES of the foregoing Notice
2 mailed/hand-delivered/faxed this
30 day of JAN, 2002, to:

3 Michael M. Grant, Esq.
4 GALLAGHER & KENNEDY
5 2575 East Camelback Road
6 Phoenix AZ 85016-9225
7 (602) 530-8500 (fax)
8 (Attorney for Applicant)

9 James D. Vieregg, Esq.
10 MORRISON & HECKER L.L.P.
11 Suite 1600
12 2800 North Central Avenue
13 Phoenix AZ 85004-1047

14 Marc D. Joseph, Esq.
15 Mark R. Wolfe, Esq.
16 ADAMS BROADWELL JOSEPH & CARDOZO
17 651 Gateway Blvd., Suite 900
18 South San Francisco CA 94080
19 (Attorney for Arizona Unions for Reliable Energy)

20 R Glenn Buckelew
21 LA PAZ COUNTY ATTORNEY
22 1320 Kofa Avenue
23 Parker, Arizona 85344
24 (928) 669-2019 (fax)
25 Attorney for LA PAZ County

26 Jason D. Gellman, Esq.
27 Arizona Corporation Commission
28 1200 West Washington
Phoenix AZ 85007


220062.1

1 **BEFORE THE ARIZONA POWER PLANT AND TRANSMISSION**
2 **LINE SITING COMMITTEE**

3
4 IN THE MATTER OF THE APPLICATION OF
5 ALLEGHENY ENERGY SUPPLY COMPANY, LLC
6 FOR A CERTIFICATE OF ENVIRONMENTAL
7 COMPATIBILITY FOR CONSTRUCTION OF A
8 1,080 MW (NOMINAL) GENERATING FACILITY
9 IN SECTION 35, TOWNSHIP 3 NORTH, RANGE
10 11 WEST IN LA PAZ COUNTY, ARIZONA AND
11 AN ASSOCIATED TRANSMISSION LINE AND
12 SWITCHYARDS BETWEEN AND IN SECTION 35,
13 TOWNSHIP 3 NORTH, RANGE 11 WEST AND
14 SECTIONS 23-26, TOWNSHIP 3 NORTH, RANGE
15 11 WEST ALSO IN LA PAZ COUNTY, ARIZONA.

DOCKET NO. L-00000AA-01-0116

CASE NO. 116

16 **CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY**

17 Pursuant to notice given as provided by law, the Arizona Power Plant and
18 Transmission Line Siting Committee (the "Committee") held public hearings in Parker and
19 Phoenix, Arizona, on September 4, 2001, November 13-14, 2001, December 13-14, 2001,
20 January 15-16, 2002 and January 22, 2002, in conformance with the requirements of Ariz. Rev.
21 Stat. (A.R.S.) § 40-360, *et. seq.*, for the purpose of receiving public comment and evidence and
22 deliberating on the application of Allegheny Energy Supply Company, LLC, or its assignees
23 ("Applicant"), for a Certificate of Environmental Compatibility ("Certificate") authorizing
24 construction of a 1080 MW (nominal) generating facility and an associated transmission line and
25 switchyards in La Paz County, Arizona (the "Project"), all as more particularly described and set
26 forth in the Application (the "Application").

27 The following members and designees of members of the Committee were present
28 on one or more of the hearing days:

Laurie Woodall

Richard W. Tobin II

Gregg Houtz

Ray Williamson

Chairman, Designee for Arizona

Attorney General, Janet Napolitano

Designee for Director, Arizona

Department of Environmental Quality

Designee for Director, Arizona

Department of Water Resources

Designee for Chairman,

Arizona Corporation Commission

| | | |
|---|-------------------|-----------------------------------|
| 1 | Mark McWhirter | Designee for Director, Energy |
| 2 | | Department, Arizona Department of |
| 3 | Jeff McGuire | Commerce |
| 4 | Michael Palmer | Appointed Member |
| 5 | Wayne Smith | Appointed Member |
| 6 | Sandie Smith | Appointed Member |
| 7 | Margaret Trujillo | Appointed Member |
| 8 | Michael Whalen | Appointed Member |

Applicant was represented by Michael M. Grant and Todd C. Wiley of
 Gallagher & Kennedy, P.A. Arizona Corporation Commission Utilities Division Staff ("Staff")
 was represented by Christopher C. Kempley and Jason D. Gellman. Intervenor Arizona Unions
 for Reliable Energy ("Unions") was represented by James D. Viereggs of Morrison & Hecker,
 L.L.P. and Mark R. Wolfe of Adams, Broadwell, Joseph & Cardozo. La Paz County, by its
 County Attorney R. Glenn Buckelew, filed a notice of limited appearance in support of the grant
 of Allegheny's Application.

At the conclusion of the hearing, after consideration of the Application, the
 evidence and the exhibits presented, the comments of the public, the legal requirements of A.R.S.
 §§ 40-360 to 40-360.13 and in accordance with A.A.C. R14-3-213, upon motion duly made and
 seconded, the Committee voted 9-1 to grant Applicant the following Certificate of
 Environmental Compatibility (Case No. 116):

Applicant and its assignees are granted a Certificate authorizing the construction
 of a 1,080 MW (nominal) natural gas-fired, combined cycle electric generating plant, consisting
 of two power blocks, each consisting of two combustion turbines, two heat recovery steam
 generators, a steam turbine, condenser, transformers, and associated auxiliaries, and including
 other necessary facilities such as cooling towers, tanks, sedimentation/evaporation ponds,
 auxiliary boilers, an emergency generator, an emergency fire pump, and associated buildings.
 Applicant and its assignees are hereby authorized to construct two switchyards, one for the plant
 and one for the interconnection with the Palo-Verde Devers 500 KV transmission line.

Applicant

1 and its assignees are hereby granted authorization to construct an approximately 1.75 mile, 500
2 kV transmission line located not less than one-quarter (1/4) mile from the Avenue 75E ROW.

3 This Certificate is granted upon the following conditions:

- 4 1. Applicant and its assignees shall comply with all existing applicable air
5 and water pollution control standards and regulations, and with all existing
6 applicable ordinances, master plans and regulations of the state of Arizona,
7 the county of La Paz, the United States and any other governmental
8 entities having jurisdiction, including but not limited to the following:
 - 9 a. all zoning stipulations and conditions, including but not limited to
10 any landscaping and dust control requirements and/or approvals;
 - 11 b. all applicable air quality control standards, approvals, permit
12 conditions and requirements of the Arizona Department of
13 Environmental Quality ("ADEQ") and/or other State or Federal
14 agencies having jurisdiction, and the Applicant shall install and
15 operate selective catalytic reduction and catalytic oxidation
16 technology at the level determined by the ADEQ. The Applicant
17 shall operate the Project so as to meet a 2.5 ppm NOx emissions
18 level, within the parameters established in the Title V and PSD air
19 quality permits issued by ADEQ. Applicant shall install and
20 operate catalytic oxidation technology that will produce carbon
21 monoxide ("CO") and volatile organic compound ("VOC")
22 emission rates determined as current best available control
23 technology ("BACT") by ADEQ;
 - 24 c. all applicable water use and/or disposal requirements of the
25 Arizona Department of Water Resources ("ADWR"), and Section
26 6-503 of ADWR's Third Management Plan;
 - 27 d. all applicable ADEQ water use and discharge regulations; and
 - 28 e. all applicable regulations and permits governing transportation,
storage and handling of petroleum products and chemicals.
2. Applicant shall construct a 100 KW solar photovoltaic array for use in
conjunction with the Project's electricity use requirements. Applicant
shall also participate in future solar workshops conducted by the
Commission.
3. Subject to the availability of Central Arizona Project ("CAP") water and
delivery facilities, Applicant shall acquire or cause to be retired over the
next 30 years directly, through another or by contract with the Arizona
Water Banking Authority ("AWBA"), and/or through retirement of
irrigation eligible lands within the Harquahala INA, an aggregate amount
of 60,000 acre feet of water or that aggregate amount of water which may
be acquired or retired with \$6 million, whichever is less. However, at least
one-half of the obligation shall be expended, retired or acquired within the
first ten (10) years. The water acquired shall be recharged at any permitted

1 facility in the Harquahala INA. Water recharged shall be subject to annual
2 extinguishment by Applicant. If Applicant elects retirement of irrigation
3 eligible lands, one acre of retired rights is equivalent to five acre feet of
4 water annually. If Applicant has used or recharged CAP water in relation
5 to the Project's water needs, the amount of such use or recharge shall be
6 treated as a credit against Applicant's obligation under this condition.

- 7 4. Applicant's withdrawal and use of groundwater in the Harquahala
8 irrigation non-expansion area for electrical generation and related uses,
9 shall be consistent with and not exceed the amount outlined by the formula
10 in A.R.S. § 45-440(A). Applicant's lands eligible to be irrigated and
11 instead used for electrical generation and related uses, shall not be
12 irrigated with groundwater, but may be irrigated with the Central Arizona
13 Project water. Applicant shall comply with ADWR requests for additional
14 pumping information from operational pumping for electrical generation
15 and related uses, including but not limited to water level and water quality
16 data.
- 17 5. Prior to the commencement of groundwater withdrawals and in
18 consultation with the Arizona Department of Water Resources, Applicant
19 shall develop a monitoring program of monument inspection and
20 information gathering from agencies with infrastructure or jurisdiction
21 near the plant site concerning subsidence. The data gathered pursuant to
22 the monitoring program shall be regularly reported to the Department, the
23 Commission, El Paso Natural Gas, United States Geological Survey,
24 Central Arizona Project, Bureau of Land Management, State Land
25 Department and La Paz County.
- 26 6. In the year following the commencement of groundwater withdrawals in
27 relation to the Project, Applicant shall submit annual reports to the
28 Arizona Department of Water Resources pursuant to A.R.S. 45-437.C.1
reporting the quantity of groundwater withdrawn and the Notice(s) of
Authority appurtenant thereto.
7. Authorization to construct the facility will expire five years from the date
the Certificate is approved by the Arizona Corporation Commission unless
construction is completed to the point that the facility is capable of
operating at its rated capacity by that time; provided, however, that prior to
such expiration the facility owner may request that the Arizona
Corporation Commission extend this time limitation.
8. Applicant shall initially connect the 500 kV Plant Switchyard to the 500
kV Transmission Grid Interconnection Switchyard with a single 500 kV
transmission line, but shall allocate spaces in the Plant Switchyard and
shall direct SCE to allocate spaces in the Transmission Grid
Interconnection Switchyard for (i) a second 500 kV Transmission line
should future reliability studies indicate that such addition is necessary to
maintain reliability or (ii) a second Devers/Palo Verde transmission line.
9. Applicant's plant interconnection must satisfy the Western Systems
Coordinating Council's ("WSCC") single contingency outage criteria (N-
1) and all applicable local utility planning criteria without reliance on

remedial action such as, but not limited to, reducing generator output, reducing generator unit tripping or load shedding.

10. The Applicant's plant switchyard shall utilize a breaker and a half scheme.

11. Prior to construction of any facilities, Applicant shall provide to the Commission the system impact study and the facilities study performed by Southern California Edison regarding delivery of the full output of the Project to its intended markets (the "SCE Technical Studies"). The SCE Technical Studies shall be prepared in accordance with the rules and regulations governing such interconnections as established by the Transmission System Owner and Operator, in this case the Palo Verde-Devers Transmission Line owned by SCE and operated by CAISO. The SCE Technical Studies shall include a power flow and stability analysis report and shall identify transmission system upgrades or capacity improvements such that the Project will not compromise the reliable operation of the interconnected transmission system in accordance with SCE, CAISO and WSCC requirements. Applicant shall make all arrangements necessary with SCE and CAISO to implement the necessary transmission system upgrades or capacity improvements as documented in the final interconnection agreements. Applicant shall provide the Commission with copies of the transmission interconnection and transmission service agreement(s) it ultimately enters into with SCE or any transmission provider(s) with whom it is interconnecting, within 30 days of execution of such agreement(s). Prior to commencing commercial operation of the Project, transmission facilities improvements, as identified in the SCE Technical studies, shall have been completed.

12. Applicant anticipates that the transmission system upgrades or capacity improvements that will be identified and required in the SCE Technical Studies and the final interconnection agreement(s) will result in transmission capacity increases out of the Palo Verde Hub. However, in the event that these transmission capacity increases at the Palo Verde Hub are not equivalent to 1080 MW, pursuant to Federal Energy Regulatory Commission orders or regulations concerning interconnection and transmission service, Applicant shall work with the Commission Staff, Transmission Owners and power plant operators interconnected at the Palo Verde Hub to determine the best method for making additional necessary upgrades at the Palo Verde Hub to accommodate interconnected generation. Applicant shall contribute its share of the cost, as directed by FERC or governing RTO, if applicable, of such necessary upgrades. Applicant shall assure that such additional upgrades are completed before the Project commences commercial operation, or Applicant shall seek an extension of time from the Arizona Corporation Commission.

13. Applicant shall become and remain a member of WSCC, or its successor, and file an executed copy of its WSCC Reliability Management System (RMS) Generator Agreement with the Commission. Membership by an affiliate of Applicant satisfies this condition only if Applicant is bound by the affiliate's WSCC membership.

14. Applicant shall apply to become and, if accepted, thereafter remain a member of the Southwest Reserve Sharing Group or its successor, thereby making its units available for reserve sharing purposes, subject to competitive pricing.
15. Applicant shall offer for Ancillary Services, in order to comply with WSCC RMS requirements, a total of up to 10% of its total plant capacity to (A) the local Control Area with which it is interconnected and (B) Arizona's regional ancillary service market, (i) once a Regional Transmission Organization (RTO) is declared operational by FERC order, and (ii) until such time that an RTO is so declared, to a regional reserve sharing pool.
16. Within 30 days of the Commission decision authorizing construction of this project, Applicant shall erect and maintain at the site a sign of not less than 4 feet by 8 feet dimensions, advising:
 - a. That the site has been approved for the construction of a 1,080 MW (nominal) generating facility;
 - b. The expected date of completion of the facility; and
 - c. Phone number for public information regarding the project.

In the event that the Project requests an extension of the term of the certificate prior to completion of the construction, Applicant shall use reasonable means to directly notify all landowners and residents within a one-mile radius of the Project of the time and place of the proceeding in which the Commission shall consider such request for extension. Applicant shall also provide notice of such extension to La Paz County, Salome and Wenden.

17. Applicant shall first offer wholesale power purchase opportunities to credit-worthy Arizona load-serving entities and to credit-worthy marketers providing service to those Arizona load-serving entities.
18. Pursuant to applicable Federal Energy Regulatory Commission ("FERC") regulations, Applicant shall not knowingly withhold its capacity from the market for reasons other than a forced outage or pre-announced planned outage. Applicant shall not be required to operate its Project at a loss.
19. In connection with the construction of the project, Applicant shall give due consideration to use of qualified Arizona contractors. In addition, Applicant shall encourage the hiring of qualified local employees in connection with construction and operation of the Project.
20. Applicant shall continue to participate in good faith in state and regional transmission study forums to identify and encourage expedient implementation of transmission enhancements, including transmission cost participation as appropriate, to reliably deliver power from the Project throughout the WSCC grid in a reliable manner.

21. Applicant shall participate in good faith in Arizona and regional workshops and other assessments of the interstate pipeline infrastructure and agrees to facilitate such workshops if the Duke II facility (Case No. 117) does not proceed with construction.
22. Applicant shall pursue all necessary steps to ensure a reliable supply and delivery of natural gas for the Project.
23. Within five days of Commission approval of this CEC, Applicant shall request in writing that El Paso Natural Gas Company ("El Paso") provide Applicant with a written report describing the operational integrity of El Paso's Southern System facilities from mileposts 628-670.39. Such request shall include:
 - a. A request for information regarding inspection, replacement and/or repairs performed on this segment of El Paso's pipeline facilities since 1996 and those planned through 2006; and
 - b. An assessment of subsidence impacts on the integrity of this segment of pipeline over its full cycle, together with any mitigation steps taken to date or planned in the future.

Applicant shall file its request and El Paso's response under this docket with the Commission's Docket Control. Should El Paso not respond within thirty (30) days, Applicant shall docket a copy of Applicant's request with an advisory of El Paso's failure to respond. In either event, Applicant's responsibility hereunder shall terminate once it has filed El Paso's response or Applicant's advisory of El Paso's failure to respond.

24. Applicant shall operate the Project so that during normal operations the Project will not exceed (i) U.S. Department of Housing and Urban Development ("HUD") or Federal Transit Administration ("FTA") residential noise guidelines or (ii) Occupational Safety and Health Administration ("OSHA") Worker Safety Noise Standards.
25. Applicant shall use low profile structures and stacks, non-reflective and/or neutral colors on surface materials and low intensity directive/shielded lighting fixtures to the extent feasible for the Project. Applicant shall use monopoles for the associated 500 kv transmission line to the point of interconnection with the Devers-Palo Verde transmission line.
26. Applicant shall fence the generating facility and evaporation ponds to minimize effects of plant operations on terrestrial wildlife and shall keep the berms surrounding the evaporation ponds clear of vegetation to limit pond attractiveness to birds.
27. In consultation with the Arizona Game & Fish Department, Applicant shall develop a monitoring and reporting plan for the evaporation ponds.

1 The plan shall include the type and frequency of monitoring and reporting
2 to the Game & Fish Department and the U.S. Fish and Wildlife Service.
3 Should any issues arise as a result of the monitoring and reporting plan,
4 Applicant shall work with the United States Fish and Wildlife Service and
5 the Arizona Game and Fish Department to develop screening or other
6 methods to protect wildlife from harm at the Project's evaporation ponds.

- 7 28. Applicant shall continue cactus ferruginous pygmy owl surveys through
8 the Spring of 2002, based on established protocol. If survey results are
9 positive, the U.S. Fish and Wildlife Service and Arizona Department of
10 Game and Fish shall be contacted immediately for further consultation.
- 11 29. Applicant shall retain a qualified biologist to monitor all ground
12 clearing/disturbing construction activities. The biological monitor shall be
13 responsible for ensuring proper actions are taken if a special status species
14 is encountered (e.g., relocation of a Sonoran desert tortoise).
- 15 30. Applicant shall salvage mesquite, ironwood, saguaro and palo verde trees
16 removed during project construction activities and use the vegetation for
17 reclamation in or near its original location and/or landscaping around the
18 plant site.
- 19 31. Applicant shall retain an Arizona registered landscape architect to develop
20 a landscape plan for the perimeter of the generating facility. The
21 landscape plan will use native or other low water use plant materials.
22 Applicant shall continue to consult with La Paz County regarding the
23 landscape plan.
- 24 32. Applicant shall use a directional drilling process to bore under Centennial
25 Wash in constructing the gas pipeline to minimize potential impacts to the
26 mesquite bosque associated with the wash.
- 27 33. Applicant shall continue to consult with La Paz County in relation to its
28 comprehensive planning process to develop appropriate zoning and land
use classifications for the area surrounding the Project.
34. Applicant shall use its best efforts to avoid the two identified cultural
resource sites. If Sites AZ S:7:48 and 49 (ASM) cannot be avoided by
ground disturbing activities, the Applicant shall continue to consult with
the State Historic Preservation Office to resolve any negative impacts
which usually entails preparing and implementing a data recovery research
design and work plan.
35. If a federal agency determines that all or part of the Project represents a
federal undertaking subject to review under the National Historic
Preservation Act, Applicant shall participate as a consulting party in the
federal compliance process (i.e., 36 C.F.R. 800) to reach a finding of effect
and to resolve adverse effects, if any.
36. Should cultural features and/or deposits be encountered during ground
disturbing activities, Applicant shall comply with A.R.S. § 41-844, which
requires that work cease in the immediate area of the discovery and that


1 the Director of the Arizona State Museum be notified promptly.

- 2
- 3 37. If human remains or funerary objects are encountered during the course of
- 4 any ground disturbing activities related to the development of the subject
- 5 property, Applicant shall cease work and notify the Director of the Arizona
- 6 State Museum in accordance with A.R.S. § 41-865.
- 7 38 Applicant shall retain a qualified archaeologist to monitor ground
- 8 clearing/disturbing construction activities and to appropriately instruct
- 9 workers on detection and avoidance of cultural resource sites.
- 10 39. Applicant shall prepare a plan for shutdown, decommissioning and
- 11 cleanup of the plant site which shall be filed with the Commission's
- 12 Docket Control within one year of beginning construction. Applicant shall
- 13 work with La Paz County and any other local governing body with
- 14 jurisdiction over the plant site to ensure that such plan is reasonable, and is
- 15 followed or amended as necessary.
- 16 40. The Applicant, its successor(s) or assign(s) shall submit a self-certification
- 17 letter annually listing which conditions contained in the CEC have been
- 18 met. Each letter shall be submitted to the Utilities Division Director on
- 19 August 1, beginning in 2002, describing conditions which have been met
- 20 as of June 30. Attached to each certification letter shall be documentation
- 21 explaining, in detail, how compliance with each condition was achieved.
- 22 Copies of each letter, along with the corresponding documentation shall
- 23 also be submitted to the Arizona Attorney General and the Directors of the
- 24 Department of Water Resources and Department of Commerce Energy
- 25 Office.

26 GRANTED this 30th day of January, 2002.

27 ARIZONA POWER PLANT AND TRANSMISSION

28 LINE SITING COMMITTEE

By 
Laurie A. Woodall, Chairman

220038.1

1 APPROVED BY ORDER OF THE ARIZONA CORPORATION COMMISSION

2
3
4
5 Commissioner

Commissioner

Commissioner

6
7 In Witness Hereof, I, Brian C. McNeil, Executive Secretary of the Arizona
8 Corporation Commission, set my hand and cause the official seal of this Commission to be
9 affixed, this ____ day of _____, 2002.

10 By _____

11 Brian C. McNeil
12 Executive Secretary

13
14 Dissent: _____

15
16 220038.1